STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Vanliner Insurance Company as of December 31, 2006

ORDER

After full consideration and review of the report of the financial examination of Vanliner Insurance Company for the period ended December 31, 2006, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Douglas M. Ommen, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER Vanliner Insurance Company, to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this November 29, 2007.

DOUGLAS M. OMMEN, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF

FINANCIAL EXAMINATION

VANLINER INSURANCE COMPANY

As of:

DECEMBER 31, 2006

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

August 6, 2007
St. Louis, Missouri

Honorable Alfred W. Gross, Commissioner
Bureau of Insurance
Virginia State Corporate Commission
Chairman, Financial Condition (E) Committee, NAIC

Honorable Merle D. Scheiber, Director
Division of Insurance
State of South Dakota
Secretary, Midwestern Zone, NAIC

Honorable Douglas M. Ommen, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Dear Sirs:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

Vanliner Insurance Company

hereinafter referred to as such or as the "Company." The Company's office is located at One Premier Drive, St. Louis, Missouri 63026, telephone number (636) 343-9889. Examination fieldwork began on March 12, 2007, and concluded on August 6, 2007.

SCOPE OF EXAMINATION

Period Covered

The last comprehensive financial examination of the Company was performed as of December 31, 2002, by examiners from the state of Arizona.

The current financial examination of the Company covers the period from January 1, 2003, through December 31, 2006, and was conducted by examiners from the state of Missouri. This examination also included material transactions or events occurring subsequent to December 31, 2006.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) and statutes of the state of Missouri prevailed.

Workpapers of the Company's independent auditor, Ernst & Young LLP, were made available to the examiners for review. Standard examination procedures were modified as deemed appropriate under the circumstances.

Comments - Previous Examination

The previous examination report noted one finding as follows:

Comment: The Company's Form B filing with the Arizona Department of Insurance, for the year ended December 31, 2002, was incomplete with respect to the disclosure of material payments made under affiliated agreements with UniGroup, Inc. related to the Tax Sharing Agreement, Commercial Lease and the repayment of the Line of Credit.

Company Response: The Company indicated that it had adjusted its procedures for filing Form B in the future.

Current Finding: The Company had filed Form B with most transactions detailed in the filings. However, a receivable from an affiliate, TransProtection Service Company, was essentially an advance to that company and, as such, should have been disclosed in the Form B filing.

HISTORY

General

The Company was originally incorporated as Great Southwest Fire Insurance Company under the laws of the state of Arizona on April 16, 1953 and received a certificate of authority on April 1, 1954. Dairyland Services, Inc., a wholly owned subsidiary of Dairyland Insurance Company acquired the Company in 1961. In 1966, Sentry Corporation, a wholly owned subsidiary of Sentry Insurance a Mutual Company, acquired Dairyland Insurance Company. In 1976, Dairyland Insurance Company acquired direct control of the Company from its subsidiary. In 1984, Sentry Corporation purchased 40.8 percent of the Company's common stock.

United Van Lines, Inc. purchased 100 percent of the Company's common stock on September 10, 1986 and immediately contributed those shares to Vanliner Group, Inc., a wholly owned subsidiary of UniGroup, Inc. The name was changed to Vanliner Insurance Company during this acquisition.

Capital Stock

The Company has three thousand shares of $1,000 par value common capital stock issued and outstanding. Ten thousand shares are authorized.

Dividends

The Company paid no dividends during the examination period.

Management

The members of the Board of Directors serving at December 31, 2006, were as follows:

Name and Location	Position
Richard J. Anderson Austin, TX	President, Armstrong Moving and Storage, Inc.
Lawrence S. Davis New Hope, PA	Business Executive, Trustees of the Presbytery of Philadelphia
Harry D. McCollister Burlington, NJ	President, McCollister Moving and Storage, Inc.
Thomas E. Andresen, Jr. Swampscott, MA	President, T.E. Andresen, Inc.
Bruce L. Dusenberry Tucson, AZ	President, Horizon Moving Systems, Inc.
Barry S. Vaughn Jacksonville, FL	President and CEO, The Suddath Companies
Robert J. Baer St. Louis, MO	President Emeritus, UniGroup, Inc.
Robert L. Eckhardt Parker, CO	Owner, All American Moving Services
David P. Corrigan Saline, MI	President, Corrigan Moving System

Katherine E. Holman Chadds Ford, PA	President, Xonex, Inc.

The UniGroup, Inc. audit committee serves as the audit committee for the Company.

The officers elected and serving as of December 31, 2006, were as follows:

Name	Office
Michael M. Kranisky	President
Gale D. Preston	Executive Vice President / Chief Operating Officer
David T. Weir	Secretary
James G. Powers	Treasurer

Note – Gale D. Preston became President on May 2, 2007.

Conflict of Interest

Conflict of interest disclosures were reviewed. While no potential conflict of interest situations were identified, the Company should improve the process for obtaining these disclosures. The disclosure for one director could not be located. Obtaining disclosures for all directors would help ensure that no appearance of a conflict of interest situation exists.

Corporate Records

Both the articles of incorporation and bylaws of the Company have been amended to reflect the Company's redomestication from Arizona to Missouri.

The minutes of the board of directors and annual stockholder's meetings were reviewed for the period under examination. Those minutes demonstrate that the board of directors is generally informed and exercises approval authority over many major corporate events and transactions. However, the minutes did not document any discussion of a large intercompany receivable that had been non-admitted due to collectibility. See the comment in the *Affiliated Payments and Receipts* section below.

Acquisitions, Mergers, and Major Corporate Events

Effective November 1, 2005, the Company redomesticated from Arizona to the state of Missouri. This was done to consolidate operations at the UniGroup, Inc. headquarters and to reduce the premium tax charge from the state of Arizona.

Surplus Debentures

The Company had no surplus debentures at December 31, 2006.

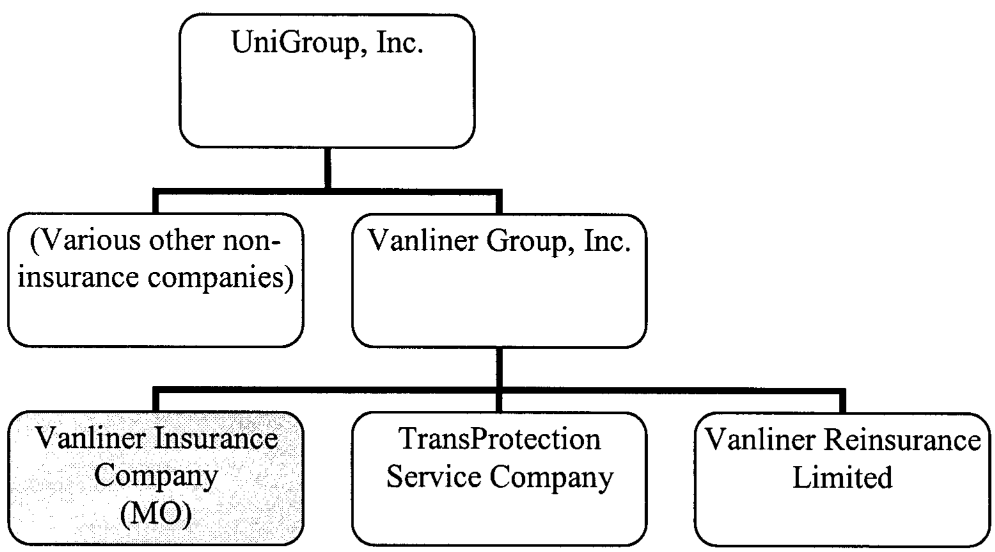
AFFILIATED COMPANIES

Holding Company

The Company is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo. Pursuant to Missouri Insurance Regulation 20 CSR 200-11.100 and Section 382.100 RSMo, the Company has filed Form B of the Insurance Holding Company System with the Department.

Organizational Structure

Vanliner Insurance Company is wholly-owned by Vanliner Group, Inc., which, in turn, is wholly-owned by UniGroup, Inc. UniGroup, Inc. is a privately held corporation whose stockholders consist of various entities, all involved in the moving and storage industry. The following organizational chart depicts the ownership structure of the Company (unless stated otherwise, ownership is 100 percent):



Intercompany Transactions

The Company is a party to several intercompany agreements, which were reviewed and summarized as follows:

1. **Insurance Agreement between Vanliner Insurance Company, UniGroup, Inc., Vanliner Group, Inc., and TransProtection Service Company.**

   Effective Date – January 1, 1988

   Terms: Vanliner Insurance Company is a party to this agreement whereby Vanliner Group, Inc., through its subsidiaries, will provide brokerage, consulting and related insurance services in connection with UniGroup Inc.'s requirements for the purchase of insurance, claims processing and administration, underwriting and rating of coverages, and general administration of other required insurance activity. In addition, UniGroup, Inc. provides services to Vanliner Group, Inc. including provision of floor space, building utilities, personnel, payroll administration, communications, legal services, executive management and centralized office support functions. Fees for all services provided are scheduled in attached endorsements to the agreement. Additional services provided by any party to the agreement not specified in the attached endorsements shall be compensated at the actual cost incurred. The agreement can be terminated by any party to the agreement upon provision of 30 days previous written notice.

2. **Tax Sharing Agreement Between UniGroup, Inc. and its Subsidiaries (including Vanliner Insurance Company)**

Effective Date – January 1, 1988

Terms: The Company is a party to this consolidated tax sharing agreement with UniGroup, Inc. and its subsidiary companies. This agreement provides for the filing of consolidated Federal and state income tax returns for the affiliated companies and provides for the allocation of tax liabilities or tax benefits to each affiliated company to the extent of what each individual company would have owed or received had each company filed their tax returns on a separate stand-alone basis.

3. **Agency Agreement between Vanliner Insurance Company and TransProtection Service Company ("TPSC")**

Effective Date – January 1, 1987

Terms: This agreement authorizes TPSC as the agent to receive and accept proposals for insurance and to issue contracts on behalf of the Company on policy forms provided by and at rates promulgated by and covering risks specified by the Company. For business billed directly to the insured by the Company, all gross premiums received by TPSC shall be paid to the Company without deductions for commissions, with net commissions then payable by the Company back to the agent TPSC. For all business not directly billed by the Company to the insureds, TPSC is responsible for collection of premiums, with premiums net of commissions payable by TPSC to the Company no later than 45 days after the end of the month. TPSC is compensated based on straight commission rates, as stated in each annual addendum commission rate schedule.

4. **Commercial Office Lease Agreement between Vanliner Insurance Company and UniGroup, Inc.**

Effective Date – September 28, 1998

Revisions – Several amendments were filed annually on October 1 of each year beginning on October 1, 2003, which extended the lease term to September 30 of the following year and also raised the base annual rent payable.

Terms: On September 28, 1998, the Company purchased from UniGroup, Inc. the administrative home office building located at One Premier Drive in Fenton, Missouri. Pursuant to this agreement, the Company then leased back to UniGroup, Inc. office space at an initial base annual rent of $1,675,096. The initial term of the lease was five years commencing October 1, 1998 and ending September 20, 2003. After that date, the lease renews automatically on an annual basis unless the lease is terminated by either party with at least 180 days prior written notice.

Affiliated Payments and Receipts

Notes to the financial statements in the annual statement disclosed the following affiliated payments and receipts:

Affiliate	Management Services	Commissions	Rental Income
TransProtection Service Company	$1,255,000	($2,624,000)	part of management services fees
UniGroup, Inc.	($4,318,000)	NA	$2,070,000

The Company did not make disclosures regarding a series of transactions with TransProtection Service Company (TPSC). In December 2006, the Company recorded an intercompany receivable from TPSC totaling $4,536,401. This transaction was labeled in the general ledger as "Advance to TPSC." The Company properly nonadmitted this balance since the receivable was the result of TPSC not remitting all funds owed to the Company over a period of several months.

A disclosure should have been made pursuant to 20 CSR 200-11.120 (2) (B) "Material Transactions Between Affiliates." The balance owed the Company exceeded 0.5 percent of its admitted assets on December 31, 2005, thereby requiring disclosure of the arrangement or transaction. The Company should have detailed this arrangement in the current and in subsequent Form B filings.

Statement of Statutory Accounting Principles No. 25 "Accounting For and Disclosures about Transactions with Affiliates and Other Related Parties," requires various disclosures in the financial statements. The Company should ensure that the financial statements contain a full description of this arrangement with TPSC. This should be reflected in the Notes to Financial Statements and in Schedule Y, Part 2 – Summary of Insurer's Transactions with Any Affiliates.

In addition, minutes from the board of directors meetings did not demonstrate that this issue was approved by the board. The board of directors should ensure that all major transactions between the Company and affiliated entities be discussed and documented in the minutes.

FIDELITY BOND AND OTHER INSURANCE

The Company participates in a fiduciary liability policy with a limit of $10,000,000 and no deductible. This coverage is provided for all companies within the UniGroup, Inc. holding company system and exceeds the National Association of Insurance Commissioners' suggested minimum guidelines.

The Company also participates with UniGroup, Inc. in policies providing coverage for real and personal property, general liability, automobile liability, workers compensation, employment practice liability, miscellaneous professional liability, directors' and officers' liability and umbrella/excess liability.

EMPLOYEE BENEFITS AND PENSION PLAN

The Company's primary benefits provided to employees include: paid time off, holidays, cafeteria plan, group life, short-term disability, long-term disability, personal travel accident coverage, employee group health plan including dental coverage and a 401(k) savings plan with employer match. The Company has no defined benefit pension plan and offers no post-employment health benefits.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2006, as reflected below, were sufficient in par and market value to meet the deposit requirement for the state of Missouri in accordance with Section 379.010 RSMo "Capital and surplus requirements."

Type of Security	Par Value	Market Value	Statement Value
US Treasury Note	$ 1,350,000	$ 1,362,339	$ 1,339,688
Missouri State CTFS	750,000	753,668	743,596
	$ 2,100,000	**$ 2,116,007**	**$ 2,083,284**

Deposits with Other States

The Company also has funds on deposit with other states in which it is licensed to satisfy their statutory deposit requirements. Those funds on deposit with other states, which are not held for the benefit of all policyholders, claimants and creditors of the Company, as of December 31, 2006, were as follows:

State	**Type of Security**	**Par Value**	**Market Value**	**Statement Value**
Arizona	Various	$ 830,000	$ 810,124	$ 832,127
California	Various	20,450,000	20,899,667	20,735,538
Delaware	US Department of Housing	120,000	122,100	120,000
Florida	McHenry County Illinois	525,000	561,356	552,753
Georgia	Federal National Mortage Associati	95,000	94,763	94,099
Idaho	US Treasury Note	48,000	48,266	48,146
Kansas	Federal National Mortage Associati	120,000	119,700	118,862
Louisiana	US Treasury Note	20,000	20,111	20,061
Massachusetts	US Department of Housing	150,000	152,625	150,000
Michigan	US Department of Housing	150,000	152,625	150,000
New Hampshir	Delaware State General Obligation	900,000	920,718	911,548
New Jersery	US Department of Housing	225,000	228,937	225,000
New Mexico	Federal Farm Credit Bank	350,000	352,517	359,831
North Carolina	Various	325,000	330,956	330,398
Oregon	Glendale AZ Municipal Bond	850,000	861,671	886,044
Rhode Island	Federal Farm Credit Bank	100,000	100,719	102,809
South Carolina	US Treasury Note	150,000	150,833	150,457
Virginia	US Department of Housing	245,000	249,287	245,000
	TOTALS	**$ 25,653,000**	**$ 26,176,975**	**$ 26,032,673**

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company specializes in insuring commercial risks associated with the moving and storage industry. Approximately one-half the business is with agents and independent owner operators associated with United Van Lines, LLC and Mayflower Transit, LLC. Vanliner Insurance Company, United Van Lines, and Mayflower Transit are members of the UniGroup, Inc. family of companies. The bulk of this business is produced through another affiliate, TransProtection Service Company. The remaining business is produced through independent agents and brokers.

Policy Forms, Underwriting and Treatment of Policyholders

The Department has a Market Conduct staff that performs a review of these issues and generates a separate market conduct report. One such examination is currently being performed, but the results of that examination are not yet available.

REINSURANCE

General

Premiums written during the period under examination are shown in the table below.

	2003	2004	2005	2006
Direct	$143,785,800	$160,053,402	$174,975,004	$172,273,173
Reinsurance Assumed	(68,887)	(3,243)		
Reinsurance Ceded	(20,528,790)	(23,087,618)	(21,250,424)	(19,182,546)
Net Premiums	$123,188,123	$136,962,541	$153,724,580	$153,090,627

Assumed

The Company's assumed business is substantially the block of business assumed from American Alternative Insurance Corporation, which has been in run-off since 2002 and currently has only three open claims. The reinsurance assumed negative amounts in 2003 and 2004 reflect adjustments made in that business.

Ceded

As of December 31, 2006, the Company was a party to the following reinsurance agreements:

Quota Share Reinsurance of Commercial Umbrella Business (effective January 1, 2001) with General Reinsurance Corporation

Retention: 5% of the $5,000,000 each occurrence policy limit

Reinsurance Limit: $5,000,000 each occurrence/aggregate, with special acceptance up to $10,000,000 each occurrence/aggregate

Workers Compensation First Excess of Loss Reinsurance Agreement (effective August 1, 2006) with Axis Re (20%), Safety National Casualty Corporation (25%), Hannover Ruckversicherung-Aktiengesellchaft (25%) and Aspen Insurance UK, Limited (30%)

Retention: $1,000,000 each occurrence

Reinsurance Limit: $4,000,000 each occurrence/aggregate

Workers Compensation Second Excess of Loss Reinsurance Agreement (effective August 1, 2006) with Midwest Employers Casualty Company (85%) and Hannover Ruckversicherung-Aktiengesellchaft (15%)

Retention: $5,000,000 each occurrence

Reinsurance Limit: $5,000,000 each occurrence/aggregate

Workers Compensation per Person Excess of Loss Reinsurance Agreement (effective August 1, 2006) with Midwest Employers Casualty Company (20%) and Safety National Casualty Corporation (80%)

Retention: $10,000,000 each person/each occurrence

Reinsurance Limit: $5,000,000 each person/each occurrence

Workers Compensation Catastrophe Excess of Loss Reinsurance Agreement (effective August 1, 2006) with Aspen Insurance UK Limited (30%), Catlin Insurance Company Ltd. (40%), New Jersey Re-Insurance Company (15%), and Lloyd's Syndicate #2000 (15%).

Retention: $10,000,000 each occurrence

Reinsurance Limit: $20,000,000 each occurrence

First and Second Excess Clash Reinsurance Agreement (effective January 1, 2006) with New Jersey Re-Insurance Company (20% for both layers), Catlin Insurance Company (0% for the first layer and 10% for the second layer), Aspen Insurance UK, Limited (18.29% for the first layer and 12.7% for the second layer) and various Lloyd's Syndicates (61.71% for the first layer and 57.30% for the second layer)

First Layer
Retention: $1,000,000 each occurrence $100,000 of the Auto Physical Damage Losses each occurrence

Reinsurance Limit: $2,000,000 each occurrence

Second Layer
Retention: $3,000,000

Reinsurance Limit: $7,000,000 each occurrence

Marine Cargo Reinsurance Agreement (effective September 1, 2006) with Lloyd's Syndicate #1036 (25%), Lloyd's Syndicate #1414 (20%), Lloyd's Syndicate #5000 (20%), Lloyd's Syndicate #3210 (20%) and Lloyd's Syndicate #282 (15%)

Retention: $500,000 each occurrence

Reinsurance Limit: $20,000,000 annual aggregate each peril separately

Terrorism Cargo Reinsurance Agreement (effective September 1, 2006) with Lloyd's Hiscox Syndicate #33 (100%)

Retention: $500,000 each occurrence

Reinsurance Limit: $20,000,000 annual aggregate each peril separately

ACCOUNTS AND RECORDS

Independent Auditor

The firm of Ernst & Young LLP audited the Company's financial statements for each year covered in this examination period. All statements have been prepared in accordance with Statutory Accounting Principles.

Independent Actuary

Wayne D. Holdredge, ACAS, MAAA, of Tillinghast Towers Perrin provided the actuarial opinion for the Company in 2003 and 2004. Tom Duffy, FCAS, MAAA, from Milliman, Inc. provided the opinion for 2005. Tony Bloemer, FCAS, MAAA, also from Milliman, Inc. provided the opinion for 2006.

Consulting Actuary

The Department contracted with Gregory S. Wilson, FCAS, MAAA, from the actuarial firm of Lewis & Ellis, Inc. to evaluate the adequacy of the Company's loss related reserves. His evaluation concluded that the Company's reserves at December 31, 2006 were adequate.

EDP Audit Specialist

The Department's Information Systems Audit Specialist, Andy Balas, evaluated the controls and procedures used by the Company's information technology section. His review concluded that the Company's controls were generally adequate.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2006, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

BALANCE SHEET
December 31, 2006

Assets	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 282,879,062	$ -	$ 282,879,062
Preferred stocks	34,944,646	-	34,944,646
Common stocks	8,125,283	-	8,125,283
Properties occupied by the company	14,551,336	-	14,551,336
Cash and short-term investments	11,274,334	-	11,274,334
Investment income due and accrued	4,511,376	-	4,511,376
Uncollected premiums and agents' balances	11,844,886	323,000	11,521,886
Deferred premiums	57,263,461	-	57,263,461
Accrued retrospective premiums	3,352,458	122,000	3,230,458
Amounts recoverable from reinsurers	180,068	-	180,068
Funds held by reinsured companies	382,494	-	382,494
Net deferred tax asset	11,245,000	3,274,000	7,971,000
Receivables from parent, subsidiaries and affiliates	5,008,893	4,536,401	472,492
Aggregate write-ins for other than invested assets	1,787,196	-	1,787,196
Total Assets	$ 447,350,493	$ 8,255,401	$ 439,095,092

Liabilities	
Losses	$ 211,597,470
Reinsurance payable	2,057
Loss adjustment expenses	34,318,056
Commissions payable and other charges	864,973
Other expenses	685,961
Taxes, licenses and fees	2,335,943
Current federal and foreign income taxes	1,994,000
Unearned premiums	64,062,022
Ceded reinsurance premiums payable	6,203,350
Funds held by company under reinsurance treaties	52,030
Amounts withheld or retained by company	201,664
Remittances and items not allocated	16,550
Payable to parent, subsidiaries and affiliates	2,930,414
Payable for securities	1,092,040
Total Liabilities	$ 326,356,530
Capital Stock and Surplus	
Common capital stock	$ 3,000,000
Gross paid in and contributed surplus	4,000,000
Unassigned funds (surplus)	105,738,562
Surplus as Regards Policyholders	112,738,562
Total Capital, Liabilities and Surplus	$ 439,095,092

INCOME STATEMENT
For the Year Ending December 31, 2006

Premiums earned		$ 154,198,620
Losses incurred	104,241,984	
Loss expenses incurred	28,447,146	
Other underwriting expenses incurred	27,109,974	
Total underwriting deductions		159,799,104
Net underwriting gain (loss)		(5,600,484)
Net investment income earned	18,237,069	
Net realized capital gains (losses)	49,375	
Net investment gain (loss)		18,286,444
Net gain (loss) from premium balances charged off		(348,000)
Net income before dividends to policyholders		12,337,960
Dividends to policyholders		-
Federal and foreign income taxes incurred		(3,324,000)
Net income		$ 9,013,960

CAPITAL AND SURPLUS
December 31, 2006

Surplus as regards policyholders, December 31 prior year		$ 107,627,181
Net income	9,013,960	
Change in net unrealized capital gains or (losses)	339,823	
(loss)	-	
Change in net deferred income tax	213,000	
Change in nonadmitted assets	(4,489,401)	
Change in provision for reinsurance	34,000	
Changes as a result of the examination	-	
Change in surplus as regards policyholders for the year		5,111,382
Surplus as regards policyholders, December 31 current year		$ 112,738,563

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND RECOMMENDATIONS

Conflict of Interest, Page 4
The Company should obtain conflict of interest disclosures from all directors.

Affiliated Payments and Receipts, Page 7
The Company should ensure that all intercompany transactions are properly disclosed in the Form B filings in accordance with regulations. Disclosures should also be made pursuant to Statement of Statutory Accounting Principles No. 25 in the annual statement. Minutes of the board of directors meetings should reflect discussion of major intercompany transactions as well.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and the employees of Vanliner Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Karen Milster, CFE, Art Palmer, CFE and Rick Stamper, CFE, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, Robert P. Jordan, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Robert P. Jordan
Robert P. Jordan, CFE
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 31st day of July

My commission expires:
2/8/2009

Jannette L McBride
Notary Public

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

JANNETTE L. MCBRIDE
My Commission Expires
February 8, 2009
St. Charles County
Commission #05515165

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Christiana Dugopolski
Christiana Dugopolski, CFE, CPA
Audit Manager, St. Louis
Missouri Department of Insurance, Financial Institutions and Professional Registration

VANLINER
INSURANCE COMPANY

RECEIVED
NOV 09 2007
DEPT OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

November 7, 2007

Frederick G. Heese, CFE, CPA
Chief Financial Examiner and Acting Division Director
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, MO 65102-0690

Dear Mr. Heese:

Vanliner Insurance Company has received your draft examination report for the period ending December 31, 2006. We respectfully submit the following responses to the comments and recommendations contained in your report:

Conflict of Interest

Comment: The Company should obtain conflict of interest disclosures from all directors.

Response: At the time of the examination, the Company had conflict of interest disclosures for all but one of its directors. We are in the process of obtaining the required documentation for this director.

Affiliated Payments and Receipts

Comment: The Company should ensure that all intercompany transactions are properly disclosed in the Form B filings in accordance with regulations. Disclosures should also be made pursuant to Statement of Statutory Accounting Principles No. 25 in the annual statement. Minutes of the board of directors meetings should reflect discussion of major intercompany transactions as well.

Response: The Company will make the recommended disclosures for the referenced intercompany transaction beginning with our 2007 Form B filing and annual statement. Additionally, the transaction will be discussed with our board of directors at its next meeting and documented in the minutes.

VANLINER
INSURANCE COMPANY

We ask that our responses be included in your report as a public document. Please don't hesitate to contact me if I can be of further assistance.

Sincerely,

Gale D. Preston
President

Vanliner Insurance Company • One Premier Drive • St Louis, Missouri 63026
636-343-9889 • FAX 636-326-0403 • 800-325-3619